

Message Text

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DRAFTED BY ARA:JBKUBISCH:CJS

APPROVED BY THE ACTING SECRETARY

EB:TOENDERS (SUBSTANCE)

S/S: SRGAMMON

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INFO AMEMBASSY MOSCOW IMMEDIATE

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SUBJECT: LATIN AMERICA AND COUNTERVAILING DUTIES: STATUS
REPORT

FOR THE SECRETARY FROM THE ACTING SECRETARY

1. THIS MESSAGE SUMMARIZES THE STATE OF PLAY WITH RESPECT
TO COUNTERVAILING DUTY PROCEEDINGS ON ARGENTINE AND
BRAZILIAN FOOTWEAR, AND COLOMBIAN CUT FLOWERS.

2. ARGENTINA. AFTER A TRUE CLIFF HANGER, PRESIDENT PERON
THIS MORNING (SATURDAY) PERSONALLY ORDERED AN ARGENTINE
TEAM TO COME TO WASHINGTON EARLY NEXT WEEK FOR CONSULTA-
TIONS WITH TREASURY ABOUT ARGENTINE FOOTWEAR EXPORTS.
THERE WAS EXTENSIVE INTERNAL MANUEVERING IN THE GOA AS
SOME MINISTERS WANTED TO SEND THE TEAM AND OTHERS TO
BLOCK IT. THE ARGENTINE AMBASSADOR, SAYING THE GOA HAD
MADE A SOLEMN COMMITMENT, THREATENED TO RESIGN LAST NIGHT
IF THE TEAM DIDN'T COME. SECRETARY SIMON, AFTER KEEPING
HIS COMMITMENT TO YOU TO WAIT ONE ADDITIONAL WEEK,
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APPROVED LAST NIGHT AN ORDER TO PUBLISH THE COUNTERVAILING

DUTY PROCEEDINGS NEXT WEEK. HE CANCELLED THAT ORDER THIS MORNING, LEARNING THAT THE TEAM WAS COMING, AND ALTHOUGH THE PROBLEM REMAINS VERY MUCH WITH US, AN IMMINENT CRISIS IN OUR RELATIONS WITH ARGENTINA SEEMS TO HAVE PASSED TEMPORARILY.

3. BRAZIL. TREASURY REMAINS IN ACTIVE CONSULTATIONS WITH BRAZIL AND LAST NIGHT A TWO-MAN TREASURY TEAM WENT BACK TO BRAZIL TO TALK TO TWELVE BRAZILIAN SHOE EXPORTERS AND GATHER ADDITIONAL DATA. IN AGREEING TO RECEIVE THIS TEAM, BRAZIL GOT TREASURY'S AGREEMENT NOT TO TAKE ANY FURTHER ACTION AGAINST BRAZILIAN SHOE EXPORTS UNTIL THE RESULTS OF THE TEAM'S VISIT ARE KNOWN. THIS EFFECTIVELY DEFERS ANY DECISION ON COUNTERVAILING THERE FOR SEVERAL MORE WEEKS AT LEAST.

4. COLOMBIA. HERE, THE DIE SEEMS TO HAVE BEEN CAST. TREASURY TOLD US LAST NIGHT THAT A FINAL DECISION HAD BEEN MADE TO LEVY A COUNTERVAILING DUTY AGAINST COLOMBIAN EXPORTS OF CUT FLOWERS. TREASURY GAVE US UNTIL WEDNESDAY, JULY 3 TO INFORM THE GOC AND WORK OUT ARRANGEMENTS FOR THE ANNOUNCEMENT AND ATTENDANT PUBLICITY. ON THAT DAY TREASURY WILL GIVE THE OFFICIAL NOTIFICATION TO THE FEDERAL REGISTER FOR PUBLICATION. BOTH THE INCOMING PRESIDENT OF COLOMBIA -- TO BE INAUGURATED AUGUST 7 -- AND THE OUTGOING PRESIDENT ASKED THAT TREASURY NOT TAKE THIS COUNTERVAILING ACTION UNTIL AFTER THE NEW COLOMBIAN ADMINISTRATION IS INSTALLED. THE NEW PRESIDENT INDICATED THAT HE INTENDS TO REVAMP THE ENTIRE EXPORT SYSTEM OF COLOMBIA IN A WAY WHICH WILL MAKE IT UNNECESSARY FOR THE USG TO COUNTERVAIL. (CONSULTATIONS BETWEEN TREASURY AND COLOMBIAN REPRESENTATIVES HAVE BEEN THOROUGH AND THERE APPEARS TO BE VIRTUAL AGREEMENT BETWEEN THE TWO SIDES ON THE NATURE AND AMOUNT OF THE SUBSIDY.) TREASURY IS ADAMANT AND SAYS IT MUST GO AHEAD ANYWAY ON JULY 3, POINTING OUT THAT IT IS BETTER TO TAKE THE ACTION AGAINST AN OUTGOING ADMINISTRATION.

5. JACK KUBISCH AND TOM ENDERS HAVE BEEN WORKING CLOSELY WITH ME -- AND WITH TREASURY -- ON THIS SET OF PROBLEMS, AND I HAVE ALSO BEEN DISCUSSING THEM WITH BILL SIMON.
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THE BRAZILIAN AND ARGENTINE CASES APPEAR BY FAR THE MOST SERIOUS AND WE HAVE BEEN ABLE TO KEEP THE DIALOGUE GOING ON THEM FOR A WHILE LONGER. THE COLOMBIAN CASE IS ALSO OF CONCERN, BUT I HAVE DISCUSSED IT WITH OUR DCM, WHO IS HERE FROM BOGOTA, AND HE FEELS THAT THE BILATERAL ASPECTS OF THE PROBLEM WITH COLOMBIA, WHILE DIFFICULT, CAN BE SATISFACTORILY HANDLED.

6. THERE IS, OF COURSE, THE LIKELIHOOD THAT THE COUNTER-VAILING ACTION AGAINST COLOMBIA WILL BE USED BY OUR CRITICS IN LATIN AMERICA TO CRITICIZE US FOR A NEW AND PROTECTIONIST ACTION IN THE IMMEDIATE AFTERMATH OF YOUR "NEW DIALOGUE" PROGRAM AND ACTIVITIES. HOWEVER, WE DO NOT EXPECT THE COLOMBIAN CASE BY ITSELF TO CONSTITUTE A MAJOR SETBACK AND, IN ANY CASE, GIVEN SIMON'S PROBLEMS AND THE COUNTERVAILING LAW, IT SEEM UNAVOIDABLE.

7. WE PLAN TO SEND INSTRUCTIONS TO AMBASSADOR VAKY ON MONDAY TO EXPLAIN TREASURY'S ACTIONS IN THE BEST POSSIBLE LIGHT TO COLOMBIAN AUTHORITIES, POINTING OUT THAT OUR TREASURY SECRETARY HAD NO LEGAL ALTERNATIVE, AND EXPRESSING THE HOPE THAT THE GOC WILL FIND A MEANS TO ELIMINATE THE SUBSIDY SO THAT THE COUNTERVAILING LEVY HERE WILL NOT HAVE TO BE ENFORCED. THEY WILL HAVE ABOUT AN ADDITIONAL SIX WEEKS TO ACCOMPLISH THIS.

8. I WILL SEE THAT YOU ARE ALSO KEPT ABREAST OF ANY FURTHER IMPORTANT DEVELOPMENTS IN THE ARGENTINE AND BRAZILIAN CASES. SISCO

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